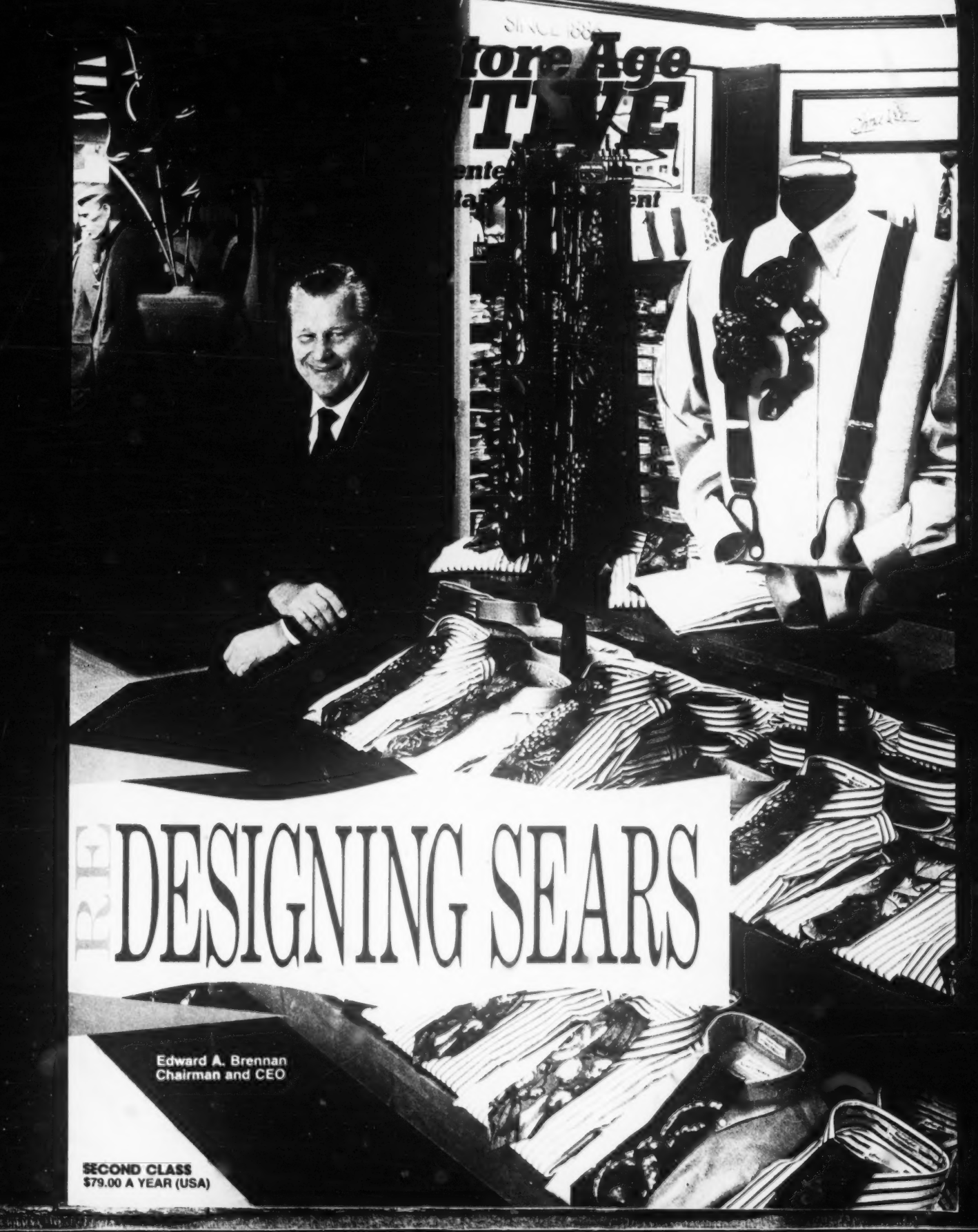
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TIVE
RE
DESIGNING SEARS
Edward A. Brennan
Chairman and CEO
SECOND CLASS
$79.00 A YEAR (USA)

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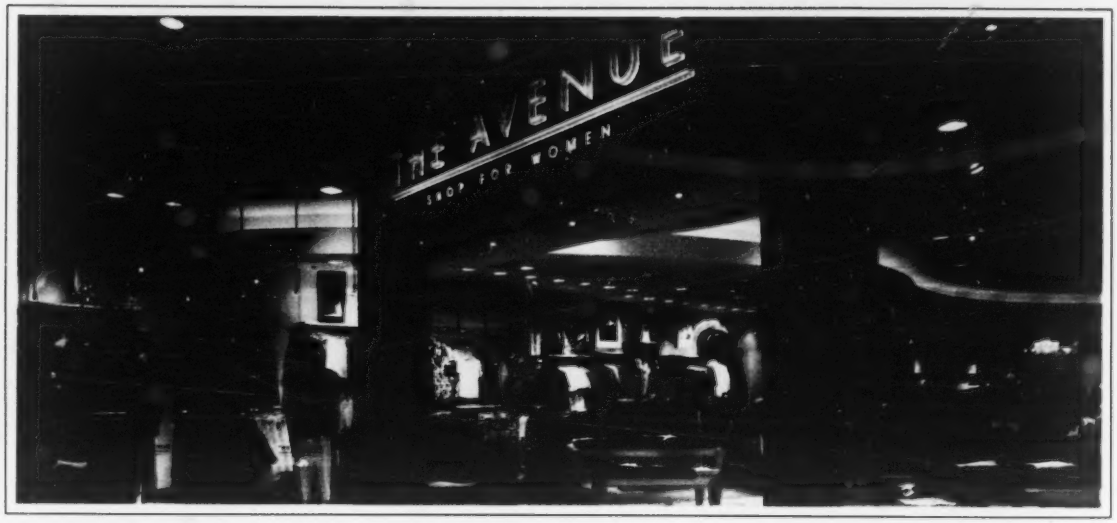

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REVENUES

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney	3,727,000	– 2.8	7,442,727	– 2.5
Sears, Roebuck & Co.	7,650,300	– 2.9	14,276,500	– 3.0
Sharper Image	30,232	–26.6	55,374	–27.0
Williams-Sonoma	63,607	+11.0	127,245	+11.6
DEPARTMENT STORE CHAINS				
Carter Hawley Hale*	495,852	–20.4	925,968	–23.7
Dillard	911,162	+12.8	1,832,710	+16.1
Gottschalks	70,901	+15.3	133,831	+17.3
Jacobson's	87,933	– 0.4	178,764	+ 0.3
Mayt	2,377,000	+ 8.5	4,689,000	+ 7.5
Mercantile	541,899	+ 5.2	1,063,645	+ 5.4
Nordstrom	904,084	+12.8	1,514,687	+11.6
Strawbridge & Clothier	211,298	– 2.0	418,390	– 1.5
DISCOUNT STORES				
Ames	727,897	+29.1	1,398,190	– 9.9
Caldor*	435,498	+ 6.8	812,871	+ 7.0
Consolidated	176,692	+11.1	334,500	+11.8
Dayton Hudson*	3,562,000	+ 9.9	6,911,000	+10.6
Dollar General	173,322	+13.3	321,624	+12.2
Family Dollar[3]	250,129	+15.0	732,055	+12.3
Hills*	366,817	–19.9	691,677	–24.1
Jamesway	207,437	– 4.2	381,379	– 5.5
Kmart	8,404,800	+ 8.0	16,048,700	+ 8.2
Pamida Holdings	174,226	+ 2.4	315,057	+ 1.9
Pic 'N Save	116,369	+ 3.3	226,394	– 2.3
Rose's	342,477	– 2.7	665,312	– 5.7
Service Merchandise	747,777	– 0.2	1,355,504	– 1.4
Venture	338,984	+ 8.0	653,797	+ 8.4
Wal-Mart	10,339,972	+37.1	19,620,542	+37.1
SHOE/SPECIALTY CHAINS				
Brown Group	416,971	– 4.3	839,276	– 4.0
Edison Bros.	315,400	+15.5	615,200	+18.1
Genesco*	118,086	+ 0.8	224,313	– 1.2
U.S. Shoe*	677,350	+ 0.9	1,352,828	+ 1.1
Woolworth	2,228,000	+ 1.7	4,355,000	+ 2.3
APPAREL CHAINS				
Ann Taylor*	101,276	+ 9.2	212,382	+10.5
Charming Shoppes	255,172	+16.5	478,042	+16.4
Deb Shops	52,543	+ 9.3	99,219	+ 9.5
Designs	28,769	+14.6	52,755	+18.1
Gantos*	58,889	– 3.6	119,347	– 2.4
The Gap	523,056	+29.2	1,013,356	+25.5
Paul Harris*	47,004	–14.9	93,636	–10.4
The Limited	1,375,185	+19.1	2,659,667	+17.6
Merry-Go-Round	156,884	+25.6	314,120	+27.8
Petrie	342,989	+ 9.6	661,262	+ 7.6
Wet Seal	27,468	– 0.9	51,293	+ 5.7
OFF-PRICE APPAREL				
Clothestime	69,045	+21.2	125,833	+21.2
Filene's Basement*	96,447	+16.8	196,330	+14.7
One Price Clothing*	35,224	+ 3.3	58,406	+ 4.6
Ross	231,271	+20.5	429,977	+18.8
S&K	17,006	+11.8	33,572	+11.0
Syms	79,701	– 1.6	151,703	+ 3.7
TJX	649,493	+13.5	1,252,784	+15.3
WAREHOUSE WHOLESALE CLUBS				
Office Depot*	302,721	+51.6	627,987	+54.8
Price[3]	1,504,349	+27.8	5,028,376	+23.1
Staples*	111,465	+72.8	216,372	+69.0
Waban	736,404	+18.2	1,353,254	+15.8
Warehouse Club[3]*	59,982	– 9.5	186,749	– 6.7

EARNINGS

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney	31,000	– 62.7	111,000	– 53.2
Sears, Roebuck & Co.	156,900	+ 42.6	142,800	+ 96.7
Sharper Image	(2,400)	NA	(5,921)	NA
Williams-Sonoma	(345)	NA	(251)	NA
DEPARTMENT STORE CHAINS				
Carter Hawley Hale*	(18,388)	NA	(50,779)	NA
Dillard	35,678	+ 24.2	73,797	+ 27.0
Gottschalks	677	+757.0	1,071	+219.7
Jacobson's	(2,041)	NA	(769)	NA
Mayt	82,000	+ 5.1	158,000	NC
Mercantile	18,128	+ 6.8	42,509	– 6.3
Nordstrom	49,869	+ 38.8	75,526	+ 53.8
Strawbridge & Clothier	(3,392)	NA	(3,180)	NA
DISCOUNT STORES				
Ames	(46,456)	NA	(94,248)	NA
Caldor*	2,479	+1915.4	(18,629)	NA
Consolidated	2,177	+170.8	1,343	NA
Dayton Hudson*	40,000	– 32.2	74,000	– 36.8
Dollar General	3,756	+ 47.4	4,928	+ 67.7
Family Dollar[3]	12,220	+ 57.0	31,989	+ 38.8
Hills*	(2,895)	NA	(23,808)	NA
Jamesway	(606)	NA	(4,096)	NA
Kmart	162,800	+ 10.0	270,300	+ 9.0
Pamida Holdings	(1,307)	NA	(3,265)	NA
Pic 'N Save	4,533	NA	9,295	NA
Rose's	(3,738)	NA	(4,276)	NA
Service Merchandise	5,386	+348.8	(7,860)	NA
Venture	3,946	+ 92.8	7,655	+ 86.8
Wal-Mart	345,893	+ 26.7	652,846	+ 24.0
SHOE/SPECIALTY CHAINS				
Brown Group	4,587	– 11.9	8,457	– 39.4
Edison	11,400	+ 5.6	20,300	+ 10.9
Genesco*	(231)	NA	(2,556)	NA
U.S. Shoe*	6,332	+241.3	18,651	– 3.3
Woolworth	21,000	– 58.0	34,000	– 61.4
APPAREL CHAINS				
Ann Taylor*	829	NA	2,843	NA
Charming Shoppes	16,429	+ 60.3	26,764	+ 55.3
Deb Shops	2,610	– 29.9	3,233	– 26.1
Designs	(280)	NA	(1,253)	NA
Gantos*	(866)	NA	(2,501)	NA
The Gap	34,222	+ 78.6	75,135	+ 86.4
Paul Harris*	(2,233)	NA	(5,282)	NA
The Limited	79,225	+ 0.3	130,085	+ 8.0
Merry-Go-Round	6,928	+ 26.5	15,623	+ 29.2
Petrie	3,977	+126.4	13,511	+ 47.1
Wet Seal	1,071	– 52.8	1,744	– 48.6
OFF-PRICE APPAREL				
Clothestime	2,234	+ 52.6	2,756	+2656.0
Filene's Basement*	2,216	+2308.3	5,037	+120.4
One Price Clothing*	2,590	– 10.6	1,868	– 32.3
Ross	8,740	+ 74.3	10,762	+ 63.5
S&K	544	+ 15.4	1,088	+ 13.5
Syms	3,788	– 5.1	6,337	+ 9.8
TJX	13,830	– 4.2	28,649	– 1.2
WAREHOUSE WHOLESALE CLUBS				
Office Depot*	3,042	+ 74.8	8,873	+ 63.7
Price[3]	25,135	+ 7.9	100,024	+ 7.0
Staples*	(766)	NA	(598)	NA
Waban	9,490	+ 39.0	13,886	+ 68.5
Warehouse Club[3]*	43	NA	137	NA

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1]first quarter figures
[2]second quarter figures
[3]third quarter figures
[4]fourth quarter figures
Source: Company reports

REVENUES

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[1]*	165,579	+31.3	165,579	+31.3
Blockbuster Entertainment	210,105	+41.0	386,893	+34.3
Claire's	60,477	+ 9.5	116,439	+ 7.1
Fabri-Centers of America	90,589	+19.4	189,880	+21.7
Fretter*	67,166	+40.1	122,613	+35.9
House of Fabrics	98,089	+12.3	199,320	+14.7
Lechters	46,881	+28.0	87,667	+25.6
Lionel	42,269	−39.4	91,657	−32.4
Michaels	80,265	+12.2	163,067	+13.9
Montgomery Ward[1]	1,110,000	+ 5.7	1,110,000	+ 5.7
Oshman's*	76,988	− 6.5	138,275	− 9.3
Pep Boys	261,800	+11.8	496,851	+11.1
Pier I Imports[1]	202,388	+46.2	202,388	+46.2
Tandy[4]*	985,160	− 5.6	4,561,782	+ 1.4
Toys "R" Us	1,056,179	+ 9.5	2,081,834	+ 9.1
Tiffany	119,372	+11.3	216,477	+ 8.0
Trans World Music*	83,204	+14.2	162,160	+12.8
SUPERMARKETS				
Albertsons	2,191,815	+ 5.7	4,352,026	+ 6.6
A&P[1]	3,590,694	+ 5.5	3,590,694	+ 5.5
American*	5,255,370	− 5.8	10,666,953	− 3.1
Bruno's[4]*	613,708	+ 5.8	2,618,179	+ 9.3
Delchamps[4]	231,349	− 6.2	959,169	+ 1.2
Food Lion	1,496,366	+17.4	2,913,555	+17.7
Giant Food	780,392	+ 2.2	1,564,268	+ 2.0
Hannaford Bros.	492,293	+17.7	978,212	+20.4
Ingles Markets	262,101	+ 1.5	784,390	+ 5.1
Kroger*	5,086,387	+ 7.3	9,993,518	+ 7.4
Marsh[1]	264,342	+ 4.7	264,342	+ 4.7
Penn Traffic*	699,390	− 2.4	1,363,165	− 3.6
Quality Food	90,030	+16.2	174,744	+16.0
Safeway	3,519,800	+ 2.5	6,920,200	+ 2.2
Seaway Food Town[3]	141,725	+ 4.2	421,654	+ 2.7
Supermarkets General*	1,514,611	− 4.5	2,983,927	− 4.0
Vons*	1,250,800	+ 2.4	2,474,100	+ 1.7
Weis Markets	318,986	+ 0.2	644,461	+ 1.9
Winn-Dixie[4]	2,320,162	+ 2.0	10,074,331	+ 3.4
CONVENIENCE STORES				
Casey's General Store[1]	164,900	+16.5	164,900	+16.5
Dairy Mart	154,754	+ 1.2	291,888	+ 1.8
National Convenience[4]*	255,916	− 7.2	1,073,958	+ 1.1
Southland*	2,128,638	− 1.2	4,012,565	− 2.0
Uni-Marts[3]	64,552	+ 4.4	196,499	+11.2
DRUG STORES				
Big B	106,818	+ 5.5	239,499	+ 6.9
Drug Emporium[1]	178,743	+26.7	178,743	+26.7
Fay's*	207,407	+27.8	384,568	+21.9
Genovese*	100,519	+ 3.8	233,462	+ 3.6
Longs	576,861	+ 3.3	1,146,085	+ 4.6
Perry[3]†*	160,092	+ 4.5	475,733	− 0.5
Rite Aid[1]	907,398	+ 9.3	907,398	+ 9.3
Walgreen[3]*	1,704,396	+12.0	5,065,726	+11.2
HOME CENTERS				
Grossman	248,061	+ 2.2	396,401	− 0.8
Hechinger	459,625	+17.7	852,134	+15.7
Home Depot	1,352,792	+36.6	2,539,682	+35.7
Lowe's	863,009	+ 5.5	1,556,360	+ 1.1
Wolohan Lumber	93,265	+ 5.7	143,036	+ 1.2
NON-STORE RETAILERS				
Home Shopping Network[3]*	262,700	+ 6.6	822,100	+ 7.6
Lands' End	121,393	+ 3.7	247,910	+ 8.1
Lillian Vernon[1]	24,060	−19.8	24,060	−19.8
QVC Network	199,213	+25.4	391,382	+22.3
Spiegel	416,290	+ 3.1	863,974	+ 8.9

EARNINGS

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[1]*	405	NA	405	NA
Blockbuster Entertainment	21,405	+ 44.2	37,300	+ 31.9
Claire's	179	− 94.8	1,350	− 79.6
Fabri-Centers of America	(385)	NA	1,043	NA
Fretter*	356	NA	445	NA
House of Fabrics	1,548	+120.2	4,923	+ 72.3
Lechters	618	+ 56.9	970	+ 41.2
Lionel	(20,206)	NA	(36,806)	NA
Michaels	684	+3923.5	1,478	+220.6
Montgomery Ward[1]	7,000	+ 75.0	7,000	+ 75.0
Oshman's*	(1,698)	NA	(3,181)	NA
Pep Boys	11,311	− 13.8	18,539	− 17.8
Pier I Imports[1]	11,637	+ 50.4	11,637	+ 50.4
Tandy[4]*	28,690	− 49.7	223,863	− 22.9
Toys "R" Us	23,445	− 11.5	45,830	− 23.2
Tiffany	7,378	+ 3.9	11,935	− 4.8
Trans World Music*	142	− 89.1	(440)	NA
SUPERMARKETS				
Albertsons	58,652	+ 10.9	117,342	+ 12.7
A&P[1]	36,201	− 29.0	36,201	− 29.0
American*	47,882	+ 32.5	83,879	+137.2
Bruno's[4]*	15,658	+ 7.3	66,726	+ 11.0
Delchamps[4]	6,159	+ 19.1	15,247	+ 6.0
Food Lion	49,585	+ 21.4	93,498	+ 19.9
Giant Food	19,070	− 26.1	48,320	− 11.0
Hannaford Bros.	11,968	− 1.7	20,063	− 8.8
Ingles Markets	3,339	− 3.6	8,452	+ 30.3
Kroger*	32,232	+ 27.6	43,015	+186.9
Marsh[1]	3,406	+ 0.1	3,406	+ 0.1
Penn Traffic*	(2,012)	NA	(6,667)	NA
Quality Food	4,669	+ 30.2	8,856	+ 31.9
Safeway	35,600	+ 50.8	62,300	+ 61.4
Seaway Food Town[3]	31	− 97.3	115	− 93.1
Supermarkets General*	(7,219)	NA	(16,058)	NA
Vons*	15,800	+ 51.9	28,500	+ 53.2
Weis Markets	19,424	− 8.3	40,232	+ 0.2
Winn-Dixie[4]	49,492	+ 13.6	170,931	+ 12.1
CONVENIENCE STORES				
Casey's General Store[1]	3,600	+ 50.0	3,600	+ 50.0
Dairy Mart	2,375	+ 26.7	2,038	− 3.3
National Convenience[4]*	(5,642)	NA	(10,465)	NA
Southland*	6,637	NA	(45,988)	NA
Uni-Marts[3]	567	+ 26.8	1,528	− 14.6
DRUG STORES				
Big B	972	NA	2,881	NA
Drug Emporium[1]	995	− 45.7	995	− 45.7
Fay's*	2,749	− 15.5	4,584	− 3.1
Genovese*	1,228	+ 54.7	2,676	+ 66.1
Longs	14,210	− 9.3	28,280	− 7.2
Perry[3]†*	1,620	+ 27.2	4,209	− 27.4
Rite Aid[1]	28,908	+ 14.7	28,908	+ 14.7
Walgreen[3]*	49,269	+ 13.1	153,019	+ 14.0
HOME CENTERS				
Grossman	6,181	+ 47.6	2,186	NA
Hechinger	13,850	+ 28.1	21,019	+ 9.5
Home Depot	71,828	+ 52.1	123,116	+ 43.4
Lowe's	25,284	− 15.6	36,760	− 29.2
Wolohan Lumber	3,956	− 5.0	4,191	− 17.9
NON-STORE RETAILERS				
Home Shopping Network[3]*	4,000	NC	24,400	− 21.5
Lands' End	1,106	NA	2,604	NA
Lillian Vernon[1]	(1,745)	NA	(1,745)	NA
QVC Network	3,456	NA	4,889	NA
Spiegel	1,385	− 81.9	2,402	− 84.4

N/A = not applicable because of loss in either current or comparable period
N/C = no change
*before extraordinary items or changes in accounting principles
†continuing operations only
[1]first quarter figures
[2]second quarter figures
[3]third quarter figures
[4]fourth quarter figures
Source: Company reports

BACK-TO-SCHOOL FAILS TO REVIVE SPENDING

SALES IN AUGUST POST BIGGEST DECLINE SINCE JANUARY

The bell for the back-to-school season rang, but consumers played hooky in August. Retail sales as measured by the Commerce Department fell a hefty 0.7%, the biggest decline since January, the month which marked the start of the Persian Gulf war.

The results were considerably worse than most analysts expected, and implied that the economic recovery may be stalling out.

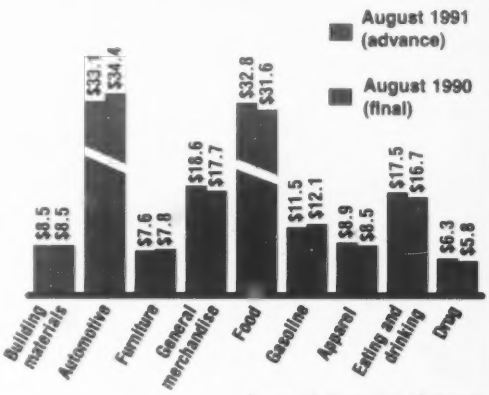
Discounters such as Wal-Mart fared better than department stores and upscale retailers. Some apparel retailers fell victim to the hot weather that lingered while they were clearing out their summer inventory to make way for fall lines. In addition, Hurricane Bob forced some store closings in the Northeast.

Despite these mitigating circumstances, there was little about August sales to give retailers comfort as the all-important Christmas season approaches.

Sears, Roebuck again reported falling sales, with total sales 2.5% below the year-ago period, and with a 2.9% decline in same-store sales. J.C. Penney reported a decline in same-store sales of 5.3%, and a total sales fall of 3.9% to $1.16 billion.

AUGUST

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	August '91 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Wal-Mart	$3,701,000	+35.0	+10.0	$25,322,000	+37.0	+11.0
Kmart	2,519,180	+ 8.0	+ 2.9	18,566,032	+ 8.2	+ 4.0
Sears	2,567,400	− 2.5	− 2.9	18,341,524	− 2.1	− 2.6
Penney	1,162,000	− 3.9	− 5.3	7,564,000	− 3.9	− 5.2
Dayton Hudson	1,290,000	+ 8.4	+ 3.5	8,070,000	+ 9.9	+ 1.7
May	820,100	+ 8.0	− 0.4	5,510,000	+ 7.5	− 0.6
Melville[1]	780,932	+15.7	− 0.5	5,908,249	+20.2	+ 0.4
Walgreen[5]	569,790	+12.8	+ 8.7	4,436,297	+11.6	+ 7.5
Woolworth	523,000	+ 1.4	− 3.3	3,088,000	+ 1.1	− 1.3
The Limited	458,100	+12.0	N/C	3,118,000	+17.0	+ 3.0
Mercantile	180,938	+ 3.8	+ 1.9	1,251,180	+ 4.8	+ 2.5
Circuit City[2]	219,200	+18.0	+ 1.0	N/R	N/R	N/R
The Gap	236,000	+42.0	+21.0	1,249,000	+28.0	+11.0
Rose's	145,762	N/R	+10.3	811,074	N/R	+ 2.1
Neiman-Marcus Group[3]	124,600	+ 0.4	− 4.8	124,600	+ 0.4	− 4.8
Venture Stores	110,500	+ 2.2	+ 0.5	764,300	+ 7.4	+ 3.9
Edison Bros.	118,200	+ 5.8	N/R	733,300	+15.9	N/R
Jamesway	71,000	− 5.0	− 1.0	452,400	− 5.0	− 1.0
Charming Shoppes	80,700	+12.0	+ 3.0	558,700	+16.0	+ 8.0
Ross	86,000	+19.0	+ 4.0	517,000	+19.0	+ 3.0
Dollar General	62,100	+15.6	+ 9.9	389,100	+12.8	+ 8.2
Best Buy[4]	65,000	+33.0	+13.0	359,000	+29.0	+10.0
Gottschalks	23,000	+13.6	+ 6.5	156,700	+16.7	+ 7.4
Claire's	20,888	+ 2.0	−10.0	137,332	+ 6.0	− 8.0

[1]fiscal year ends Dec. 31 [2]fiscal year ends Feb. 28 [3]fiscal year ends July 31 [4]fiscal year ends Mar. 31 [5]fiscal year ends Aug. 31 N/R = not reported N/C = no change

Source: Company reports

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